

UNIVERSITY OF MAINE SYSTEM

Board of Trustees Meeting

at the University of Maine System

November 5, 2015

Finance/Facilities/Technology Committee

Present: Committee Members: Norman Fournier, Chair; Samuel Collins, James Donnelly, Gregory Johnson, Marjorie Medd, and Karl Turner (at USM). **Chancellor:** James Page. Faculty Representatives: Patti Miles and Ray Albert (at UMFK). **System Staff:** Tracy Bigney, Dan Demeritt (at UMA), Tracy Elliott, Rudy Gabrielson, Chip Gavin (at USM), Ryan Low, Richard Thompson, Miriam White and Vendean Vafiades (at USM). **Presidents:** Glenn Cummings, Stuart Swain, John Murphy, Rebecca Wyke. **Other Participants:** Mark Hatt (at UMM), Laurie Gardner (at UMF), Lauren Dubois (at UMA), Ross Hickey (at USM), Buster Neal (at USM), Jeff Letourneau (at UM), Claire Strickland, Cindy Mitchell, Fred Bittian, John Forker and John Grover.

Committee Members Absent: Paul Nelson

Trustee Fournier, Chair, called the meeting to order and welcomed everyone.

FACILITIES ITEMS

Footprint Reduction Authorization, UMM. Mr. Chip Gavin, Chief General Services Officer, and Matt Hatt, Chief Business Officer at UMM, explained that this is a request for the University of Maine System, acting through the University of Maine at Machias, to dispose of Kimball Hall in Machias by demolition.

The University Treasurer has the sole authority under current policy and practice to sanction the demolition of a facility unless that demolition meets or exceeds certain criteria set by Trustees, such as when the project costs more than \$500,000. In this instance, the cost is estimated to exceed that threshold, so it is before the Trustees for consideration.

Trustees in March 2015 approved disposal of this facility by sale. The potential need for demolition was discussed with Trustees at that time. Updated information and analysis - including the estimated cost to rehabilitate the facility and the likely challenges that would continue to be associated with the facility even after a renovation - has substantially increased the likelihood of disposal by demolition.

Because the facility is in such dire condition – it was vacated on an emergency basis in January, 2015; has been determined to be unfit for occupancy in its current condition; remains vacant; and, has required work simply to stabilize the facility while the evaluation is done - authorization is being requested so planning may continue with the knowledge that Trustees support demolition and to ensure the University can act should it be necessary based on any further deterioration of the facility.

This request is in keeping with the recommendations approved by the Board of Trustees to reduce the University's footprint and increase the utilization rate of facilities. The property was identified by a UMM-initiated project as a potential candidate for disposal. Sightlines has estimated Kimball Hall to have net asset value of just 25 percent and a backlog of work estimated at nearly \$4.5 million. The building's construction age and its estimated renovation age each exceed 100 years. Kimball Hall, while old, is not among the University facilities listed on the National Register of Historic Places.

President Joyce Hedlund in the summer of 2015 conducted information sessions for the campus and for the broader community about this facility, its condition and its future, including the possibility of its removal. Those forums included a presentation based on a formal analysis of the building prepared by the firms Building Envelope Specialists, CES and WBRC. It estimates the cost of a renovation at \$8.5 million, which may actually be a low estimate, and the cost of demolition at \$850,000, assuming the vacant space is left as green space.

The presentation states, in part: “Kimball Hall, in its current condition, cannot be safely occupied. Access to the interior should be limited to essential personnel. The building should be partitioned from pedestrian traffic with particular emphasis on the north, east and south sides. Additional temporary shoring may be required as the building continues to deteriorate.”

Refined cost estimates are in progress and there is a possibility the cost will be lower. The current authorization being requested, including contingency, is for \$950,000. Preliminary funding for demolition has been identified with the remaining funding to be identified by the University Treasurer.

If approved by Trustees and following further communication and consultation by the University of Maine at Machias with its campus community, this planning work will continue over the winter. Demolition would be feasible during the summer of 2016. A real estate appraisal will be conducted if transfer of the facility is pursued. An appraisal will be foregone if the determination is to dispose of the facility by demolition.

On a motion by Trustee Medd, which was seconded by Trustee Johnson, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda at the November 15-16, 2015 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees authorizes the expenditure of up to \$950,000 for the demolition of Kimball Hall from funds to be determined by the University of Maine System Treasurer.

Lease Authorization, UMF. Mr. Gavin and Ms. Laurie Gardner, Chief Business Officer at UMF, explained that the University of Maine System, acting through the University of Maine at Farmington requests authorization to enter a new agreement for student and general vehicle parking on Perham Street in Farmington adjacent to the campus in a lot at the Mallett School which is operated by Regional School Unit 9.

The proposed lease would be the successor to an existing agreement for UMF parking in this same location. The proposed agreement would provide for UMF’s use of 10 parking spaces as lessee for \$1 per year. The spaces total approximately 1,620 square feet of ground space on the southwest side of the parking lot located at the Mallett School on Perham Street. The parking lot and specific spaces are proximate to the UMF campus and are used for general parking needs.

The lease would provide access to these 10 spaces during primary school hours and access to the entire parking lot during non-school hours, provided the spaces are not needed at those times by Regional School Unit 9.

Board Policy 802 requires approval of the Trustees whenever a lease exceeds 5 years. This lease has a potential term of 15 years including discretionary renewals. This lease has a total lease payment of \$15.00 if all optional renewals are exercised. No facility space or University operating costs will increase as a result of this agreement.

On a motion by Trustee Collins, which was seconded by Trustee Donnelly, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda at the November 15-16, 2015 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees approves the recommendation of the Finance/Facilities/Technology Committee that authorizes the leasing of 10 parking spaces by the University as lessee from Regional School Unit 9 as lessor for \$1 per year for up to 15 years including discretionary renewals, with all final terms subject to review and approval by the University of Maine System Treasurer and General Counsel.

Lease Authorization, UMPI. Mr. Gavin explained that the University of Maine System, acting through the University of Maine at Presque Isle, requests authorization to enter an updated lease agreement as lessor with University Credit Union as lessee for space at the Campus Center facility in Presque Isle.

The Credit Union already occupies approximately 145 square feet space on the first floor of the Campus Center at UMPI, including a small office space and an ATM machine. This is a request for a new agreement for the same space. The rental rate would be 6,300.00 annually or \$81,900 over the full potential life of the agreement. That is nearly \$44 per square foot and represents an increase of 5 percent from the rate in the current agreement to be replaced by this new agreement.

Board Policy 802 requires approval of the Trustees or its Finance/Facilities/Technology Committee for leases of greater than 5 years. The proposed agreement, which would replace an existing agreement, has an initial term of 5 years with an option for as many as 4 discretionary extensions of two-years each for a total potential lease term of up to 13 years. That duration triggers Trustee review.

In addition to facilitating financial transactions for members and others on campus, University Credit Union personnel also present financial literacy for UMPI students at freshman success classes, speak at various on-campus activities and assist with a variety of student financial literacy and student loan management matters. University Credit Union (UCU) is a unique financial institution in that it exists to serve students, employees and alumni of Maine's University System, as well as their family members. UMPI and Credit Union are contemplating additional potential partnerships.

The proposed agreement represents an increase in revenue. It represents no change in space or operating costs for UMPI.

On a motion by Trustee Medd, which was seconded by Trustee Collins, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda at the November 15-16, 2015 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees authorizes the leasing of approximately 145 square feet of space by the University Credit Union as the lessee at the University of Maine at Presque Isle, subject to review and approval of final terms and conditions by the University of Maine System Treasurer and General Counsel.

Lease Authorization USM. Mr. Gavin, Mr. Buster Neil, Chief Business Officer at USM, and Mr. Ross Hickey, Assistant Provost for Research Integrity, explained that the University of Maine System, acting through the University of Southern Maine, requests authorization to lease as lessee approximately 1,370 square feet at the New England Ocean Cluster project.

Board Policy 802 requires approval of the Trustees or its Finance/Facilities/Technology Committee for leases of greater than 5 years or when the cost exceeds \$100,000. This overall agreement is likely to meet both of those thresholds and consideration is being requested of Trustees so the project can continue to move forward.

In detail, the initial term of the lease is expected to be three years with discretionary renewals yet to be determined. The space agreement is likely to exceed 5 years with discretionary renewals. Additionally, the annual investment by the University to be a member of the cluster will be \$60,000, or \$180,000 over the initial 3-year term. While that investment is for the total sponsorship, of which the leased space is only a small element, the current agreement documents do not segregate those costs from the whole.

As stated in the letter of intent for the project, the University of Southern Maine intends to partner with this marine-based incubator project, to have office space at the project site, to have USM's logo on marketing material, to develop educational opportunities for the companies in the incubator, to provide internships and fellowships, and to pursue other activities. The non-binding letter of agreement regarding the project is attached with additional background information.

The cost of this sponsorship will be funded by existing Maine Economic Improvement Fund resources. Engagement with the cluster will be led by the Regulatory Compliance Education and Training Center at USM.

On a motion by Trustee Donnelly, which was seconded by Trustee Medd, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda at the November 15-16, 2015 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees authorizes the leasing of approximately 1,370 square feet of space with the University as lessee at the New England Ocean Cluster project, subject to review and approval of all terms and conditions by the University of Maine System Treasurer and General Counsel.

Capital Project Status Report. Mr. Gavin provided a brief update on the Capital Project Status Report. The report is effective September 30, 2015 and reflects a total of 26 projects, an increase of one project from the last report. One project has been removed since the last report due to completion. That was Dearborn Gymnasium Renovation, UMF. Two projects have been added since the last report: Lewiston Hall Renovation, UMA and Wireless Infrastructure Upgrade, USM.

Four projects are complete and will be removed from the next report. They are: Aubert STEM Classroom Renovation, UM; Wells Commons Dish Room Renovation, UM; Estabrooke 3rd & 4th Floor Renovation, UM and Merrill Hall Heating Boiler Replacement, UMF.

INFORMATION TECHNOLOGY ITEMS

Overview of Proposed and Active Projects and Update on Projects with a Value of \$250,000 or Greater. Mr. Richard Thompson, Chief Information Officer, provided information on proposed and active information technology projects and status updates on the following projects with a value of \$250,000 or greater:

- USM Residence Halls Wireless

- Data Center Capacity and Security
- Facilities Software Project – IWMS
- VoIP (Telecommunications) for UMaine

Information Technology Recommendations. Mr. Thompson presented the current State of Information Technology 2015 for the University of Maine System which included recommendations to improve service capacity and quality for students, faculty and staff, upgrade wireless connectivity and modernize classroom technology.

The recommendations include major investment over a three year period to accomplish these improvements. The CIO and Chief Administrative Officer request Board of Trustees' acceptance of the CIO Report and to authorize the Chief Financial Officer, CIO and Chief Administrative Officer to develop a work plan and funding strategies to prioritize and implement the recommendations. The development of the work plan will include input from faculty, students, administrators, IT campus service providers and other customers.

On a motion by Trustee Turner, which was seconded by Trustee Medd, the Finance/Facilities/Technology Committee agreed to forward this item to the Board at the November 15-16, 2015 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees accepts the State of Information Technology 2015 Report submitted by the CIO and authorizes the Chief Financial Officer, CIO and Chief Administrative Officer to develop a work plan and funding strategies to prioritize and implement the recommendations for presentation at the January 2016 Board of Trustees meeting

FINANCE ITEMS

Amendment to Board of Trustee Policy 711 – Named Chairs and Professorships. Ms. Tracy Elliott, Director of Finance and Controller, explained the proposed changes to Board of Trustee Policy 711 – *Named Chairs and Professorships* for Committee review. Changes were made primarily to remove the requirement that gifts supporting Chairs and Professorships be endowed. While an endowment is the preferred giving vehicle as an endowment supports the expenses in perpetuity, the University recognizes that this requirement is an impediment to donor giving and creates administrative burdens as exceptions require Board review.

On a motion by Trustee Donnelly, which was seconded by Trustee Medd, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda at the November 15-16, 2015 Board of Trustee meeting for approval of the following resolution:

That the Board of Trustees approves the amendments to Board of Trustee Policy 711 – *Named Chairs and Professorships* as presented.

Treasurer's Update, UMS. Mr. Ryan Low, Treasurer, provided an update regarding progress on the financial reorganization initiative.

FY2015 Unrestricted Operations Budget vs Actual. Mr. Low explained that the expenses were down by 12% from FY2014 with the largest reduction in expenses in compensation and benefits and fuel and electricity which reflect the difficult work of the campus and system initiatives, the administrative

reviews and controlled spending. Five of the seven campuses have had year over year spending reductions. Campuses have increased their investments in capital by \$3.3 million.

Declining revenues offset the cost cutting efforts by a 2:1 ratio between FY2014 and FY2015. The total revenue in FY2015 was \$24 million below FY 2014 actuals and \$8.2 million below the FY2015 budget. Six of the seven campuses had reductions in revenue. The Budget Stabilization Fund declined from \$21 million to \$15 million due to losses at two of the campuses and the negative budget to actual return on unrestricted investments. Based on the Board approved FY2016 operating budgets, it is anticipated to transfer \$5 million to offset those FY2016 budgeted operating losses which will result in a Budget Stabilization Fund of approximately \$10 million at the end of FY2016.

FY2017 Budget Development. Mr. Low commented that the campuses are busy planning the FY2017 budget and most of the assumptions have been released to help build the budget. There are many challenges ahead even with the consistent efforts to reduce spending year over year. Those results are being seen but there are only so many places for reduction. Campuses continue to look for opportunities to collaborate across units. As the UMS has moved to centralize many functions, the portfolio the campuses have to look at opportunities to be more efficient or trim spending is narrower. The budgets are due into the System in January.

Unified Budget. Mr. Low stated that the Chief Business Officers have been meeting since July to identify the steps that will be required to move toward a unified budget in FY2018. The conversations have been going very well and the core issues have been identified. A charter has been developed for each of the six areas to guide the work which will also serve as a document for feedback responses. The charter outlines the purpose, the charge, the scope, the deliverables, key concepts, the team members and who are the stakeholders.

Transfer of Unrestricted Net Position, UM. Mr. Low and Ms. Claire Strickland, Chief Business Officer at UM, explained that this request is pursuant to Board of Trustees Policy 701, Section V.B Unrestricted Net Position which states:

“Absent specific Board of Trustees approval, the use of unrestricted net position must be approved by the Treasurer to provide a certain level of flexibility in managing the allocation of unrestricted net position efficiently and effectively while allowing the Board of Trustees to fulfill its oversight duties.”

“During a fiscal year, a president of a campus may approve a total budget transfer of up to 5% or \$500,000, whichever is less, of the campus’ unrestricted net position. Notice of the budget transfer must be provided to the Treasurer.”

UMaine E&G “Carry Forward” (Unrestricted Net Position) Policy, History and Current Practice

About ten years ago the University of Maine started allowing all departments to carry forward 100% of year-end funds from one fiscal year to the next. This was done to contain what was then believed to be unnecessary spending at year-end. Prior to that time, departments were allowed to carry forward 80% of their year-end balances with the remaining 20% earmarked by administration for campus-wide facilities maintenance projects and upkeep. The result was that many departments still spent down budgets at year end. Allowing departments to carry forward 100% of year-end balances and funding facilities maintenance projects and upkeep through yearly base budgeted increases appeared to make overall better financial sense at the time and was intended to address unfavorable and unintended consequences.

Departments and larger units were allowed to spend the one-time carry-forward funds to support travel, major equipment purchases, lab renovations, classroom improvements, and one-time instructional costs, for example. There was no differentiation between how base funding was used as opposed to carry-forward funding. All funding was blended into the current year spend. One unintended consequence of the carry-forward policy was that it made it difficult to judge whether lines were adequately base funded.

Going Forward: FY16 and Beyond

The current practice of using carry-forward has been adjusted to comply with new BOT policies.

In July FY16 chartfield combinations in fund 13 (campus projects) were created to document and keep separate the use of carry-forward funds which will include requests for one-time instructional needs, one-time staff and graduate student support, financial aid, classroom and building improvements, lab renovations, one-time operating support and major equipment expenditures. A process for requesting funds at the unit/college level with approval by the campus Chief Business Officer has been established.

FY2015 Annual Report on Gifts, Fund Raising and Endowments. Ms. Elliott provided a brief overview of the University of Maine System Annual Report on Gifts, Fund Raising and Endowments for the year ended June 30, 2015. This report presents:

- Total gifts received by restriction type, donor type, campus and purpose.
- The UMS gift balances by fiscal year which includes pledges outstanding, non-endowed gift balances and endowment market values.
- UMS affiliated fund raising organizations' gifts received and endowment balances.
- The financial status of capital campaigns.

All gifts received fulfill the policy requirements of the Board of Trustees and the UMS follows the intent of its donors. The UMS expresses its deep gratitude to all donors for their gifts, donations and bequests.

Adjournment.

Tracy B. Bigney
Clerk of the Board